

## GPS Renewables Private Limited

April 01, 2025

| Facilities/Instruments                 | Amount (₹ crore) | Rating <sup>1</sup>          | Rating Action |
|--|------------------|------------------------------|---------------|
| Long Term Bank Facilities              | 191.00           | CARE BBB; Positive           | Reaffirmed    |
| Long Term / Short Term Bank Facilities | 335.50           | CARE BBB; Positive / CARE A3 | Reaffirmed    |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to bank facilities of GPS Renewables Private Limited (GRPL) factors in the company's growing scale of operations over the last two years backed by healthy order book execution. While the performance in FY25 is expected to be weaker-than-anticipated due to delay in formation of co-development joint ventures with oil marketing companies (OMCs) and awarding of work orders for compressed biogas (CBG) projects owing to delayed approvals and time taken for due diligence by JV partners. Nevertheless, the rating factors in the recent development on the joint venture (JV) with Indian Oil Corporation Limited (IOCL; rated CARE AAA; Stable/ CARE A1+), wherein 9 CBG co-development orders have awarded in the current financial year with another 20 projects in the pipeline. Moreover, in addition to the existing JV, multiple joint ventures are expected in medium term with large OMCs thus ensuring maintenance of healthy order book. The current outstanding order book of the company stands at ₹1200 crore as on March 31, 2025.

The rating also factors in company's increased focus on CBG co-development projects, against the earlier focus on engineering, procurement and construction (EPC) of such projects, resulting in materially higher capital commitments to such projects in the coming years. The company is expected to be required to contribute ~₹500 crore in next couple of years towards its equity commitments for co-development projects, which are likely to be funded by fund-raising from investors and internal accruals. The fund-raising plan for the same is at advanced discussion stage, thus ensuring no major burden of additional borrowings for the same. However, co-development projects also expose GRPL to execution risks and liabilities arising from inability to achieve the agreed operational parameters, given limited track record of operational CBG plants, which could have an adverse impact on its business and financial risk profile. Also, the strength of the company is offset by the moderate financial risk profile and elongated working capital cycle as on year-end which is due to major revenue booking as on year end.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant improvement in total operating income (TOI) on a sustained basis and maintenance of healthy order book
- Improvement in total debt to earnings before interest, taxation, depreciation, and amortisation (TD/EBITDA) to below 2.5x on a sustained basis

#### Negative factors

- Inability to raise additional equity capital by Q1FY26 to meet its funding commitments resulting in significant stress on the company's cashflow
- Significant corporate guarantee given for the debt availed by the SPV/JV
- Weakening of order book or delay in execution leading to decline in TOI
- Deterioration in adjusted overall gearing above 1.7x

**Analytical approach:** Standalone and factoring the equity commitments to its JVs and/or subsidiaries.

### Outlook: Positive

The positive outlook reflects the company's healthy order book position from reputed clientele along with the expected equity fund-raising to meet the upcoming equity commitments in the co-development joint ventures which is likely to materialise in Q1 FY26. The outlook may be revised to 'Stable' if there are any delays in materialisation of the anticipated equity fund raising plans of ₹ 270.00 crores beyond Q1FY26.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Detailed description of key rating drivers:****Key strengths****Continuance of healthy order book**

The order book continues to remain healthy at over ₹1200 crore as on March 31, 2025, with orders from marquee clients. This is further expected to increase in the near-to-medium term based on the MOUs with OMCs. The order book pipeline is further expected to be built up with additional 20 projects from IOCL and sizeable orders from other OMCs as well in the near-to-medium term. The sizeable order book provides adequate revenue visibility over the near-to-medium term. Moreover, the order book which was majorly concentrated to one single customer has now been diversified with addition of new customers/OMCs.

**Experienced and professional management**

GRPL, founded by IIM-B Alumni, Mainak Chakraborty and Sreekrishna Sankar, benefits from the rich talent pool of the promoters and senior leadership team. Apart from promoters and team of directors, the company has a strong second line of management with the heads of different departments selected from senior positions in large corporates and the Indian Army. ~90% team have a Masters or PhD, and an average work experience of ~25 years. The experienced promoters are expected to continue to benefit the company in sourcing and executing new orders.

**Patented technology and industry tailwinds from government initiatives**

GRPL benefits from granted patents for multiple processes in large-scale CBG projects including removal of moisture from raw biogas and use of anaerobic fungi for pretreatment of lignocellulosic biomass, translating to higher yield of CBG per tonne of feedstock. This is expected to continue to benefit the company in creating a differentiated offering. The industry is likely to benefit from tailwinds created by government initiatives to support development of CBG to reduce dependence on imported CNG. With government mandate to OMCs to source 1% of their gas requirements from CBG, the sector is likely to experience heightened activity in the near-to-medium term, benefitting industry players such as GRPL.

**Significant growth in FY25; likely to grow in near to medium term:**

Though the Total Operating Income (TOI) of the company is lower than envisaged levels, it has significantly improved to more than ₹900 crore in FY25 (FY24: ₹465.58 crore). This is backed healthy order book and timely execution. The TOI was impacted by delay in due diligence process of forming JVs with OMC and the resultant weaker order inflow. Moreover, the construction ban in Delhi, to tackle the air pollution further resulted in loss of revenue for few months. CARE Ratings expects the company's TOI to improve in near to medium terms considering the healthy outstanding order book and further increase in orders considering the recent development on the JV front. The operating margin, however, stood low in H1FY25 at ~5% due to increasing spending on recruitments at senior level considering the expected inflow of large orders. The operating margin varies depending on the scope of the work as well and the same is expected to continue remain healthy in coming years.

**Key weaknesses****Significant investment plan and execution risks in upcoming projects**

With the ongoing JV plan of GRPL, the company is required to adhere to the equity commitment, which is ~₹500.00 crore in next couple of years. The JV's will be formed under its subsidiary, GPS Arya Private Limited (GAPL). As per the company's management, ~₹150.00 crore have been invested, of which ₹50.00 crore is invested from internal accruals and ₹100.00 crore have been raised in the form of non-convertible debenture (NCD) in GAPL. In addition to this, the company could also be liable to meet shortfall, if any, in servicing the borrowings proposed to be availed by such JVs. Incrementally, with a shift in management focus to co-development of CBG projects from EPC earlier, the company is increasingly exposed to execution risks and liabilities arising from inability to achieve the desired operating parameters, given the limited operating track record of its plants, which could lead to claims and impact its financial risk profile.

**Continuance of elongated working capital cycle and moderate financial risk profile**

The company's working capital cycle continues to appear stretched as major portion of the revenue is booked as at the year end. Generally, the project's payment terms are milestone basis and credit period in the range of 15 days to 40 days is extended to the customers. The gross working capital cycle stood at 152 days in FY24 (FY23: 166 days) and the same is inclusive of unbilled revenue as well. With the increasing debt levels to support the growth of the business, the overall gearing stood at 6.17x as on March 31, 2024 (As on March 31, 2023: 9.91x). However, with healthy profit before interest, lease rentals, depreciation, and taxation (PBILDT) level, the company's interest coverage remains strong at 6.98x in FY24 (FY23: 7.84x).

### Liquidity: Adequate

The company's liquidity is adequate with projected gross cash accruals (GCAs) of ₹150.00- ₹200.00 crore per annum over the next 1-2 years against principal repayment obligations of ₹40.00 crore in FY26 and ₹73 crore in FY27. The maximum average utilisation of the working capital limits stood at ~46% in the 12 months ended December 31, 2024. The company is expected to fund its incremental working capital through internal accruals, mobilisation advances from customers and liquidity available due to reduced collateral with the lenders.

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

| Macroeconomic indicator | Sector    | Industry        | Basic industry   |
|-------------------------|-----------|-----------------|------------------|
| Utilities               | Utilities | Other utilities | Waste management |

GPS Renewables Private Limited (GRPL) is a waste-to-energy technology company started in 2012 by IIM-B Alumni, Mainak Chakraborty and Sreekrishna Sankar and backed by investors including SBICAP Ventures Limited (Neev Fund), Hivos-Triodos and Caspian Impact Investment Private Limited. It is involved in the development of clean and low-cost technology for waste management solutions in India. The company provides turnkey solutions for large-scale bio-energy projects on EPC basis and uses proven "Thermophilic Anaerobic Digestion" technology to convert paddy straw into compressed biogas (CBG). GRPL has a renowned client base including Reliance Industries Limited and Reliance Bio Energy Limited, EverEnviro, Microsoft, Bosch, Intel, Infosys and Accor Hotels, among others with a track record of repeat business.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | H1FY25(UA) |
|----------------------------|--------------------|--------------------|------------|
| Total operating income     | 152.27             | 465.58             | 322.58     |
| PBILDT                     | 15.99              | 62.47              | 14.48      |
| PAT                        | 10.96              | 43.59              | 4.75       |
| Overall gearing (times)    | 9.91               | 6.17               | 8.35       |
| Interest coverage (times)  | 7.84               | 6.98               | 1.44       |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

| Name of the Instrument                 | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Cash Credit            |      | -                             | -               | -                          | 191.00                      | CARE BBB; Positive                 |
| Fund-based/Non-fund-based-LT/ST        |      | -                             | -               | -                          | 81.50                       | CARE BBB; Positive / CARE A3       |
| Non-fund-based - LT/ ST-Bank Guarantee |      | -                             | -               | -                          | 254.00                      | CARE BBB; Positive / CARE A3       |

**Annexure-2: Rating history for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings |                              |                              | Rating History                              |   |   |   |
|---------|--|-----------------|------------------------------|------------------------------|---|---|---|---|
|         |  | Type            | Amount Outstanding (₹ crore) | Rating                       | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1       | Fund-based - LT-Cash Credit            | LT              | 191.00                       | CARE BBB; Positive           | -   | 1)CARE BBB; Positive (07-Feb-24)            | -   | -   |
| 2       | Non-fund-based - LT/ ST-Bank Guarantee | LT/ST           | 254.00                       | CARE BBB; Positive / CARE A3 | -   | 1)CARE BBB; Positive / CARE A3 (07-Feb-24)  | -   | -   |
| 3       | Fund-based/Non-fund-based-LT/ST        | LT/ST           | 81.50                        | CARE BBB; Positive / CARE A3 | -   | 1)CARE BBB; Positive / CARE A3 (07-Feb-24)  | -   | -   |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

| Sr. No. | Name of the Instrument                 | Complexity Level |
|---------|--|------------------|
| 1       | Fund-based - LT-Cash Credit            | Simple           |
| 2       | Fund-based/Non-fund-based-LT/ST        | Simple           |
| 3       | Non-fund-based - LT/ ST-Bank Guarantee | Simple           |

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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